

# HOW TO PROCURE CAPITAL

FOR A REV. OF U.

DISTRIBUTIVE BRANCH.

OF THE

## UNION SUPPLY & MUTUAL BENEFIT

### CO-OPERATIVE ASSOCIATION.

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“Capital, by persons wholly unused to reflect on the subject, is supposed to be synonymous with money. Money cannot in itself perform any part of the office of capital, since it can afford no assistance to production. To do this, it must be exchanged for other things, and anything which is susceptible of being exchanged for other things, is capable of contributing to production in the same degree. What capital does for production, is to afford the shelter, protection, tools and materials which the work requires, and to feed and otherwise maintain the laborers during the process. Whatever things are destined for this use—destined to supply productive labor with these various prerequisites—are capital.

\* \* \* \* \*

The distinction between capital and not capital does not lie in the kind of commodities, but in the mind of the capitalist—in his will to employ them for one purpose rather than another; and all property, however ill adapted in itself for the use of laborers, is a part of capital, so soon as it, or the value to be received from it, is set apart for productive re-investment. \* \* \* \*

To consume less than is produced is saving; and that is the process by which capital is increased; not necessarily by consuming less absolutely.”†

### WHAT IS CAPITAL?

As has been stated in the above quotation, “The distinction between capital and not-capital, lies in the mind of the capitalist—in his will to employ whatever he may possess, for one purpose rather than another.” By the same author it is logically shown that, what is capital under one set of circumstances, is not capital under different circumstances. His briefest definition is, “*Capital is wealth appropriated to reproductive employment.*” While this is true, there is a much broader sense in which the word capital may be defined, all wealth is not appropriated to reproductive employment primarily. A very large share of wealth is appropriated to distributive employments, yet it is capital

for the purpose for which it is used, as much as it would be were it used in primary reproductive employment. Any employment of capital by which it reproduces itself, is reproductive employment in the broader sense of the term, although the authority quoted does not appear to use the term in that sense; as he says:

† "The sale of the produce for money, and the subsequent expenditure of the money in buying other commodities, are a mere exchange of equivalent values for mutual accommodation. \* \* \*

We cannot too strictly represent to ourselves the operation of exchange, whether conducted by barter, or through the medium of money, as the mere mechanism by which each person transforms the remuneration of his labor or of his capital into the particular shape in which it is most convenient to him to possess it; but in no wise the source of the remuneration."

While it is logically true that the source of all remuneration is the product of wealth appropriated to reproductive employment primarily, it is equally true that the buying and selling of such product is not "an exchange of equivalent values for mutual accommodation." The business of distribution or exchange is not carried on, by those engaged in it, for the accommodation of any one, but for the purpose of realizing a profit upon their capital and labor, in exactly the same way and for the same reason that primary producers realize their profit by obtaining for the article exchanged or sold, more than it cost them. For this reason, "when a person transforms the remuneration of his labor or of his capital into the particular shape in which it is most convenient to him to possess it," he parts with more wealth than he receives. It is this loss of wealth by the masses, who exchange with the merchant, that keeps them poor and causes their wealth to be absorbed in this process, by the comparatively few persons who carry on the business of exchange.

The object of all business transactions is to cause the capital employed to reproduce itself with a profit.

If a primary producer sells what he produces at less than the cost of production, he decreases his capital. If he sells at the cost of production, he effects "an exchange of equivalent values," and his capital remains stationary. If he sells for more than the cost of production, he increases his capital. The profit is the remuneration of the venture. The same fact is true of the merchant, who either decreases,

keeps stationary or increases his capital by the result of each venture, as the amount he receives is greater or less than the cost† to him of the article sold. From this it is plain that to sell at more than cost, and to save the difference, is the process by which capital is increased by producer or exchanger (merchant). This implies that a purchaser is found, who is willing to pay the higher price, therefore the capital of the producer and the capital of the merchant is enabled to reproduce itself with a profit, by the *custom of the consumer*.

|| "Custom is to production (and distribution) as rain to the seed and sunshine to the harvest."

Therefore the great nourisher of all enterprise is another form of capital, which is as essential to rendering the capital of the producer or merchant able to reproduce itself as are the soil, rain and sunshine, to rendering the seed able to produce a fruitful harvest. Although never invested nor ever owned primarily, except by the consumer, it frequently has a commercial value placed upon it for others, as is shown by the estimated value placed upon the "good will" of an established business, the established reputation of an article, or the high price paid for the services of certain salesmen who "control a large amount of trade."

As has been shown, the accumulations of wealth are created by the profit made on commercial transactions. This profit is the result of the action of consumers in buying at more than cost, from producer or merchant. If a large number of consumers patronize ONE merchant, all of the profit on their transactions with him, will belong to him, and *he will accumulate wealth*. If the same consumers, through a "Co-operative Distributive Association," put their manager in the place of the merchant, and in that way patronize themselves, *the profit on their transactions with their manager will belong to themselves, and they will accumulate wealth*. The wealth so accumulated, will be to them the direct product of their "nutrient capital—custom," employed for their own benefit.

Then again there is "Physical Capital," used always by the workman, the physician or any person who employs his strength or skill for a remuneration. Whatever any person

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† The term *cost*, as here used, includes the purchase price with the merchant's expenses added.

|| "Logic of Commercial Co-operation."—J. G. HOLYOAKE.



employs in his work of a physical nature, his strength or talent, or the two combined, is to him, his capital, as much as the machinery he may use to increase the efficacy of his efforts.

Considered in this manner, for all practical purposes, when the sense in which the word "capital" is used is limited strictly to the transactions of the person or association using it.

CAPITAL IS THAT WHICH IS EMPLOYED FOR THE PURPOSE OF PRODUCING A PROFIT.

This definition necessarily implies that the capital employed should reproduce itself, when it is of a material form.

With this definition, the way is clear to consider understandingly, the question, "How to procure capital for a distributive Association?"

The object sought must determine the kind of capital most needed. This being a Distributive Association, the kind of capital most needed is "nutrient capital—custom," which renders distribution necessary.

To establish this point very clearly, attention is asked to the following illustrations.

1st. *If ten producers* combine their capital and labor, and produce a certain quantity of sugar at a cost of *eight dollars*, and sell the same for *nine dollars*, their capital and labor has been reproductive and profitable, and made a gain of *one dollar*, which is the property of the association until divided.

2nd. *If ten merchants* combine their capital and labor, and buy the sugar from the producers at *nine dollars* and sell it to consumers at *ten dollars*, their capital and labor has been reproductive and profitable, and made a gain of *one dollar*, which is the property of the merchants' association until divided.

3d. *If ten consumers* COMBINE THEIR NECESSITIES, by means of a distributive co-operative association, putting their manager in the place of the merchants, and he buys the sugar from the producers at *nine dollars*, and supplies it to the consumers at *ten dollars*, the same price they paid the merchants for it, this use of their "nutrient capital—custom," to supply their own necessities, has been profitable, and made a gain of *one dollar*, which is the property of the consumers' association until divided.

THIS IS THE PROCESS BY WHICH CAPITALISTS ARE MADE.

No person objects to being a capitalist, as that term is commonly understood, his only complaint is that he is not one.

There are in comparison few merchants and many consumers. It is the object of commercial co-operation to divert the accumulations of wealth from the few to the many. That this may be accomplished, the first thing to do is to form an association,—not to start a store—an association of consumers, who understand the object sought, and who will work together for its accomplishment.

They should clearly realize that they are serving their own interests by giving the association their custom for all the articles with which it can furnish them. By doing this, they simply transfer their nutrient capital—custom, *from the merchant to themselves*, represented by their manager, and *by so doing they will at once cause the money they spend to supply their necessities*, TO PRODUCE A PROFIT FOR THEMSELVES, *instead of producing it for the merchant*.

† “The distinction between capital and not-capital, does not lie in the kind of commodities, *but in the mind of the capitalist*, in his *will* to employ them for one purpose (or in one way) rather than another.”

CUSTOM IS NUTRIENT CAPITAL.

EVERY PERSON IS A CONSUMER.

If a person employs his nutrient capital (by giving his custom to make a merchant's business profitable) the merchant becomes a capitalist. If he employs his nutrient capital for his own profit, HE WILL BECOME A CAPITALIST. He can only do this by becoming a member of a consumers' association, founded on the principles of commercial co-operation, which buys from the producers, sells to the consumers, and holds all of the profits as the property of the association, until divided equitably among its members.

THIS IS THE PROCESS BY WHICH HE MAY BE MADE  
A CAPITALIST.

Thus, what is called “nutrient capital,” may be profitable or not-profitable to a person, *as he wills to use it*, for his own benefit or the benefit of others, by giving his custom to a distributive co-operative association, or to merchants.

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† “Principles of Political Economy.”—J. S. MILL.

It is thus clearly shown that the form of capital to be secured first is

NUTRIENT CAPITAL—CUSTOM,

which is procured by obtaining intelligent persons to become members of the association.

The first requirement of distribution, is the demand of custom, which makes it necessary. The second requirement is the labor necessary to effect the exchange.

In a distributive association, this labor is very little when its value is compared with the value of the transactions. It should be required, however, to be done accurately, promptly, honestly, and with good judgment. The form of capital to be secured, in the second place, is

PHYSICAL CAPITAL—LABOR.

in the person of a thoroughly competent manager.

When the association is small, and the transactions are of the simplest character, some member may volunteer to devote the little time required for the business, without compensation.. But as the association is for business purposes, it should always pay a fair price for any service rendered it. It should, as soon as possible, select for a manager, a person likely to wish to continue in that position. One well qualified not only to do the clerical work of the position, but equally well qualified to promote the growth of the association, by securing an increase of membership. That his pay may not be out of proportion to the business done, it should be fixed by a small percentage on the sales. the arrangement to continue until the volume of business reaches a point at which a different arrangement can be effected ; that is, a fixed salary can be paid, without injustice to the manager or the association.

The third requirement of distribution is the buying of the commodities to be distributed. Therefore, the form of capital to be secured in the third place is

MATERIAL CAPITAL—MONEY.

As each consumer pays "his merchant" for whatever he buys. if each member of the association will advance *the date of payment to the time of giving his order*, the manager will *always* be supplied with money with which to make the necessary purchases.



Under this system the association *can never make a loss*, because it will never have anything at risk, and the profit gained by the purchases of the members supplying their own necessities in this way, will make a surplus for division.

It is, however, for the convenience of consumers, that the commodities for which they must exchange their money, be carried in stock for their inspection, selection and division into quantities as desired. As has been shown, the capital for the purchase of this stock, *may be created* by the profits made from the purchases of members, as mentioned above. Take the illustration already used. If the one dollar profit made by the consumers' association, be not divided, the association possess that much money capital; with this, suppose the manager buys ten packages of pepper. He sells the pepper to the members at fifteen cents a package. If when he buys the pepper, he buys another quantity of sugar, as before, to supply the ever recurring necessities of the members, the profit on the second transaction is, *fifty cents from the sale of the pepper, and one dollar from the sale of the sugar*, which added to the profit on the first transaction, makes the whole profit two dollars and fifty cents, which the association holds as money capital. All of which has been created by the use of their "nutrient capital—custom," for themselves instead of for the merchants.

THIS IS THE PROCESS BY WHICH EACH PERSON MAY MAKE  
HIMSELF RICHER, BY HELPING HIS NEIGHBOR  
TO BECOME A CAPITALIST.

If the branch association is organized with ten persons, each of whom subscribes for but one fund certificate of the second class, the paid-in cash capital the first month, will be *ten dollars*. The second month, *twenty dollars*. The third month, *thirty dollars*, and so on. If these ten persons will agree upon a few articles which they will purchase, as indicated, their capital will be sufficient for their purpose at the start, and *will always be sufficient*, if they are good managers, and will deal with their association as explained, they will soon find that the cumulative force of the business will far exceed their most sanguine expectations.

By the provisions of the By-Laws, all profits are added to the amount paid in as monthly installments on the second class certificates, until their par value of *fifty dollars each*, has

been accumulated. In this way all profits are kept in the business until each second class certificate has reached what may be termed *its maturity*. Under this system, the cumulative force of the capital account will be very great, although the progress may appear slow at first. It will be found, however, that as soon as transactions are made regularly, and the line of commodities can be extended to embrace some of the articles on which large profits are made, the accumulation of profits will be increased in the most satisfactory manner. For these reasons, although the By-Laws provide for a permanent capital, represented by full paid certificates of the first class, on which the profits are to be paid *away* from the association in cash, one of the first rules passed by the executive committee should be "that no certificates of the first class be sold."

That form of investment is provided for not to induce money capital to come into the business at the start, but to keep it in, when the second class certificates have matured. Then, as those who first formed the association receive their cash dividends on their first class certificates, full paid, they can show the money to their neighbors, and say truthfully, COMMERCIAL CO-OPERATION HAS ACCOMPLISHED ITS OBJECT

### IT HAS MADE ME A CAPITALIST.

The object of commercial co-operation, is to divert the accumulations of productive capital, from the few to the many. This object is accomplished by an equitable division of profits to all the factors employed in its production, namely,

CAPITAL LABOR AND CUSTOM,

"The one needs the assistance of the other."





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